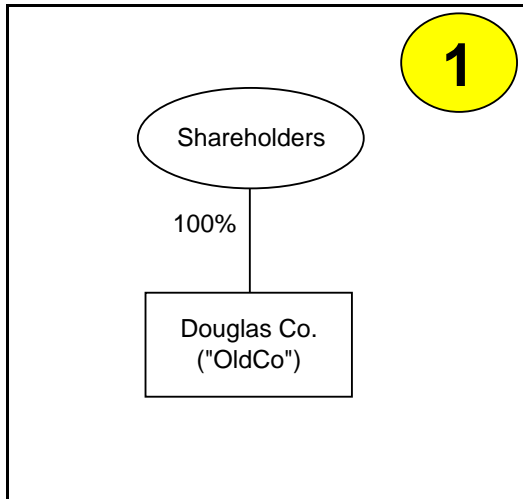


**Douglas v. Commissioner
37 B.T.A. 1122 (1938)**

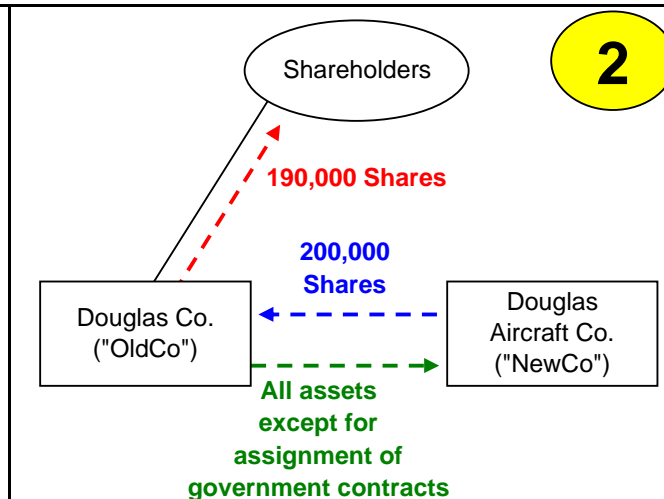
**Reorganization That Took
5 Years to Complete**

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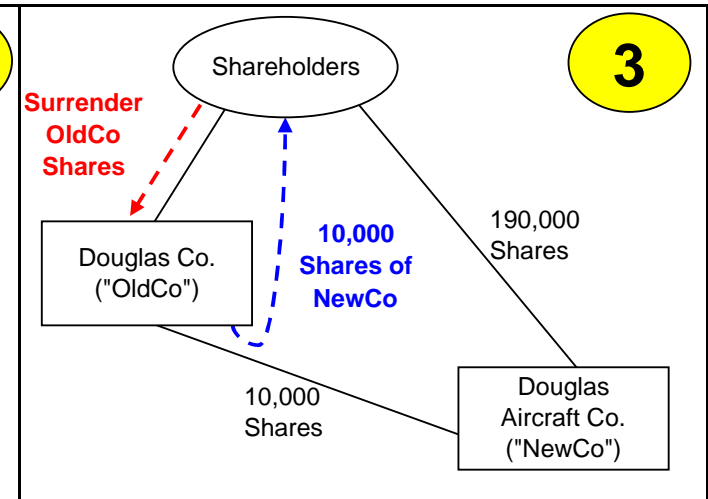
Initial Structure



Reorg Step 1 (Dec. 1928)



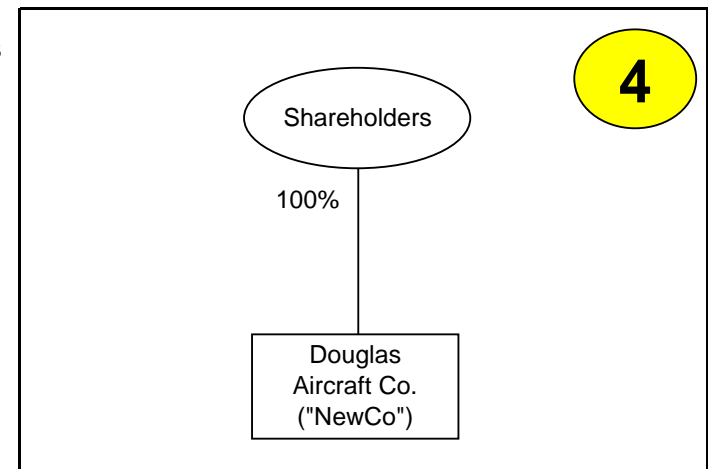
Reorg Step 2 (Dec. 1933)



The IRS determined that the distribution of certain stock to shareholders in 1933 constituted liquidating dividends, rather than nontaxable distributions made in pursuance of a plan of reorganization. Although it was originally contemplated that a prompt distribution to the stockholders of the Douglas Co. would be made of the 200,000 shares of the new company's stock upon the surrender of their stock in the Douglas Co., the existence of certain government contracts necessitated the continuation of the existence of the old company, and the postponement of the completion of the plan until such time as the old company could be legally dissolved.

By 1933 the contracts between the Douglas Co. and the United States Government had been completed so nothing then stood in the way of a dissolution of the Douglas Co. Accordingly, in December of 1933, the Douglas Co. was dissolved and its remaining assets, consisting of the 10,000 shares of the new company stock, were distributed proportionately to its stockholders. The court held that the distribution which was made in 1933 was the "further distribution to the stockholders * * * in completion of the plan of reorganization."

Ending Point



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